



State of California

# CALIFORNIA EMPLOYER

Fourth Quarter 2000

## New reporting requirements begin January 1

A new law, effective January 1, 2001, requires businesses and government entities that are required to file a federal Form 1099-MISC for services performed by an independent contractor to report specific information to EDD.

This information must be filed with EDD within 20 days of either entering into a contract with an independent contractor for \$600 or more, or making payments totaling \$600 or more to an independent contractor in any calendar year, whichever is earlier.

It is not necessary for businesses to report the following types of entities: corporations, general partnerships, or limited liability companies. In general, businesses are required to report independent contractors that are sole-proprietors.



This new law (Senate Bill 542, Burton) is in addition to the current new hire reporting requirement for employers. These laws are intended to assist child support enforcement agencies identify parents who are delinquent in their child support payments.

Please see page 4 of this newsletter for a comparison chart of the new independent contractor and current new employee reporting requirements.

For more information on the independent contractor reporting requirements, or for copies of the new reporting form (*Report of Independent Contractors*, DE 542), visit our Web site at [www.edd.ca.gov/txicr.htm](http://www.edd.ca.gov/txicr.htm).

If you have questions, please e-mail us at [taxcomm@edd.ca.gov](mailto:taxcomm@edd.ca.gov), or call us at (916) 657-0529.



## New toll-free number for tax info and assistance

Our customers in the U.S. and Canada can call our new toll-free number at **1-888-745-3886** for general payroll tax information and assistance, 24 hours a day, 7 days a week. Our toll-free number for speech and hearing impaired (TTY) customers is 1-800-547-9565.

Our staff are available on normal workdays from 7:30 a.m. to 5:30 p.m. Pacific Time. During the last two weeks of January, April, July, and October, our staff are available from 7 a.m. to 6 p.m.

When you call, a menu will provide you with a list of services, such as information on ordering forms and publications, tax rates, filing forms, and payroll tax seminars.

## More news on the SDI rate change

We have revised the annual forms to accommodate the two State Disability Insurance (SDI) rates. In December,



you will receive the revised *Annual Reconciliation Statement for Calendar Year 2000* (DE 7X) or the *Annual Payroll Return for Employer of*

*Household Workers for Calendar Year 2000* (DE 3HWX), along with a special insert to help you complete the SDI lines on the form.

When completing your annual form, please be sure to complete both SDI lines. These forms are also available from our Internet site at

[www.edd.ca.gov/taxform.htm](http://www.edd.ca.gov/taxform.htm), or by calling us at 1-888-745-3886.

The SDI withholding rates for calendar year 2000 are:

<u>Wages Paid</u>	<u>SDI Rate</u>
January 1 - March 31 .....	0.5% (.005)
April 1 - December 31 ...	0.7% (.007)

The SDI taxable wage limit for calendar year 2000 is \$46,327 per employee.

There is no change in the way that you report the amount of SDI withholding on your employees' *Wage and Tax Statements* (Form W-2) for calendar year 2000. As in prior years, SDI withholding should be reported in box 21 (if box 21 is not available, report in box 14).

If you find that you have withheld incorrectly, have additional questions, or need a form, please call us at 1-888-745-3886.

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## Taxable value of meals and lodging proposed for 2001

Meals and/or lodging that you provide to your employees should be treated as wages for Unemployment Insurance, Employment Training Tax, and State



Disability Insurance. Meals are subject to California Personal Income Tax (PIT)

withholding unless you furnish the meals to your employees for your convenience on your business premises. Lodging is subject to PIT withholding unless it is furnished for your convenience and the employee is required to accept lodging on your business premises as a condition of employment.

Each year, the values of meals and lodging are adjusted based on the cost-of-living indexes. The EDD has proposed the following changes for 2001:

EMPLOYEES*		MARITIME EMPLOYEES	
Meals	Value	Licensed Personnel	Value
- Breakfast.....	\$ 1.70	- Meals.....	\$ 7.85
- Lunch.....	2.40	- Quarters.....	5.25
- Dinner.....	3.75	- Total per day.....	\$ 13.10
- 3 meals per day.....	\$ 7.85		
- A meal not identified as either breakfast, lunch, or dinner.....	\$ 2.75	<b>Unlicensed Personnel</b>	<b>Value</b>
		- Meals.....	\$ 7.85
		- Quarters.....	3.60
		- Total per day.....	\$ 11.45
<b>Lodging Value</b>		<b>Fishermen</b>	
- Value is set at 66-2/3 percent of the ordinary rental value to the public, but not in excess of \$778.00 per month or less than \$25.25 per week.		- Lodging value is \$25.25 per week and \$3.60 per day for periods of less than a week.	

*\* Maritime employees' values of meals and lodging are different than all other employees and are shown in the above table on the right. Lodging values for maritime employees apply only when the facilities meet specific minimum standards.*

*Note: The above values do not apply where higher values of meals and lodging are stipulated in a union agreement or contract of hire, or are required for compliance with minimum wage laws. If you have questions, please call us at 1-888-745-3886.*

## Tips for Annual Reconciliation

Please double check the amounts reported before submitting your fourth quarter *Quarterly Wage and Withholding Report* (DE 6), *Annual Reconciliation Statement for Calendar Year 2000* (DE 7X), *IRS Employer's Annual Federal Unemployment (FUTA) Tax Return* (Form 940/940EZ), and providing Form W-2 to your employees.

Use the information on the table below to reconcile your annual "Total Subject Wages," "UI Taxable Wages," "PIT Wages," and "PIT Withheld."

These tips will help you avoid costly and time-consuming mistakes.

For additional information on annual reconciliation or to request a DE 678X form, please call us at 1-888-745-3886.

For information on the difference between "Total Subject Wages" and "PIT Wages," please contact us at the number above and request the information sheet, *Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report* (DE 231PIT).

ANNUAL RECONCILIATION	All Items Within Each Box Below Should Agree*
■ Total Subject Wages	<ul style="list-style-type: none"> <li>■ Earnings/payroll records</li> <li>■ DE 6 (Item M) - all 4 quarters</li> <li>■ DE 7X (Item C)</li> </ul>
■ UI Taxable Wages <i>Note: The DE 7X "UI Subject Wages" may be different than the Form 940/940EZ "Total Taxable Wages," if you have exempt employees.</i>	<ul style="list-style-type: none"> <li>■ DE 7X (Item D2)</li> <li>■ IRS Form 940/940EZ (Line 5)</li> </ul>
■ PIT Wages	<ul style="list-style-type: none"> <li>■ Earnings/payroll records</li> <li>■ DE 6 (Item N) - all 4 quarters</li> <li>■ W-2 (Box 17)</li> </ul>
■ PIT Withheld	<ul style="list-style-type: none"> <li>■ Earnings/payroll records</li> <li>■ DE 6 (Item O) - all 4 quarters</li> <li>■ DE 7X (Item G)</li> <li>■ W-2 (Box 18) plus 1099R (Box 10)</li> </ul>

*\* If amounts do not agree, find the error and correct all forms with incorrect amounts. If an error was made on a previously filed DE 6, complete a Tax and Wage Adjustment Form For the Year 2000 (DE 678X) to correct the quarter with the error.*

## Small Business Fairs

The EDD is partnering with the Internal Revenue Service, Franchise Tax Board, State Board of Equalization, and local agencies at Small Business Fairs in California. Workshops and tax information are offered throughout the day at these events.



There is no cost to participate, but reservations are recommended for the workshops. Upcoming fairs include:

- Los Angeles (Culver City)**  
 West Los Angeles College  
 February 9, 8:30 a.m. – 3 p.m.  
 Call: (310) 342-1080  
 Fax: (310) 342-1063  
 E-mail: [lataxday@boe.ca.gov](mailto:lataxday@boe.ca.gov)
- San Diego**  
 Point Loma Nazarene University  
 March 2, 9 a.m. – 4 p.m.  
 Call: (760) 744-6284  
 Fax: (760) 510-5876  
 E-mail: [sdtaxday@boe.ca.gov](mailto:sdtaxday@boe.ca.gov)
- Long Beach**  
 Long Beach Convention Center  
 March 9, 8:30 a.m. – 3:30 p.m.  
 Call: (310) 516-4330  
 Fax: (310) 516-4139

## Watch the mail for your contribution rate notice

You will receive your *Notice of Contribution Rates and Statement of Unemployment Insurance (UI) Reserve*



*Account for Calendar Year 2001 (DE 2088)* by December 31, 2000. The notice will show your 2001 UI tax rate and your reserve

account activity for July 1, 1999, through June 30, 2000.

The UI taxable wage limit for 2001 is \$7,000 per employee, per year. The State Disability Insurance (SDI) tax rate

for 2001 will be included on your notice. The taxable SDI wage limit is \$46,327 per employee, per year.

The notice also shows if you are subject to Employment Training Tax (ETT). The 2001 ETT rate is 0.1 percent (.001).

For more rate information, please call our Contribution Rate Group at (916) 653-7795 (accessible 24 hours a day, 7 days a week). Please have your DE 2088 or your EDD employer account number available to expedite your call.

## Annual interest rate increases to 9 percent

The annual interest rate for the period January 1 through June 30, 2001, for delinquent taxes and contributions will be 9 percent (.09), compounded daily. The daily interest factor will be .000247.

If you have any questions about this interest rate, please call us at 1-888-745-3886.

## Eligible employers may reduce their 2001 UI tax rate

Eligible employers will have the option of paying an additional Unemployment Insurance (UI) contribution in order to obtain a lower UI tax rate for 2001. This option is only available when UI contribution rate schedules AA through D are in effect.

Schedule C will be in effect for 2001.

A voluntary UI payment is not a prepayment, but an additional payment and cannot be deducted on a future tax return.

You are not eligible if:

- You are an unrated employer with the required 3.4 percent UI tax rate;
- You have a negative UI reserve account balance;
- You already have the lowest possible UI rate; or
- You have an unpetitioned outstanding liability as of September 30, 2000, (delinquent in paying taxes).

If you are an eligible employer, you will receive a *Voluntary UI Contribution Notice* (DE 2088A), which shows up to

three different amounts that you may pay to lower your 2001 UI tax rate. A voluntary UI payment can reduce your UI rate. An *Explanation Sheet and Worksheet for the Voluntary UI Contributions Notice* (DE 2088VU) will be included with your DE 2088A. Use the worksheet to calculate your projected savings to determine whether it is beneficial to make a *voluntary* UI payment.



## Legal holidays for 2001

If a payment or return due date falls on a Saturday, Sunday, or legal holiday, EDD extends the due date to the next business day.

Please refer to the chart below for the legal holidays EDD will observe in 2001 to determine the timeliness of

your tax payments and returns. For specific payroll tax deposit requirements, please see the "Important Filing Dates" section of your *California Payroll Tax Guide* (DE 44P).

If you have any questions, please call us at 1-888-745-3886.

Please consider the following:

- Obtaining a lower rate may not reduce your annual UI costs because the voluntary UI payment may be greater than the savings you will realize from the lower UI rate.
- Once you make a voluntary UI payment, the reduced rate is in effect for all of 2001.
- Once you make a voluntary UI payment, it cannot be refunded.
- If you make a voluntary UI payment but you are not eligible to participate in the voluntary UI program, or if the payment is insufficient to reduce your UI tax rate to the next lowest rate, the payment may be applied to an existing liability with EDD, the State Board of Equalization, or the Franchise Tax Board.

The deadline to submit a voluntary UI payment is March 31, 2001. Please include a copy of your DE 2088A form with your voluntary UI payment. If you have any questions, please call us at 1-888-745-3886.

HOLIDAYS OBSERVED	DATE in 2001	NEXT BUSINESS DAY in 2001
New Year's Day	January 1	January 2 ( <i>Tuesday</i> )
Martin Luther King Jr. Day	January 15	January 16 ( <i>Tuesday</i> )
Lincoln's Birthday	February 12	February 13 ( <i>Tuesday</i> )
Presidents' Day	February 19	February 20 ( <i>Tuesday</i> )
Cesar Chavez Day	March 30	April 2 ( <i>Monday</i> )
Good Friday	April 13	April 16 ( <i>Monday</i> )
Memorial Day	May 28	May 29 ( <i>Tuesday</i> )
Independence Day	July 4	July 5 ( <i>Thursday</i> )
Labor Day	September 3	September 4 ( <i>Tuesday</i> )
Calif. Admission's Day	September 10	September 11 ( <i>Tuesday</i> )
Columbus Day	October 8	October 9 ( <i>Tuesday</i> )
Veterans Day	November 12	November 13 ( <i>Tuesday</i> )
Thanksgiving Day & day after	November 22 & 23	November 26 ( <i>Monday</i> )
Christmas Day	December 25	December 26 ( <i>Wednesday</i> )

## Comparison of reporting requirements\*

New Employee Registry	Independent Contractor Reporting
<b>Who Must Report:</b>	<b>Who Must Report:</b>
Employers, including government entities. Out-of-state employers can select one state in which to report their new hires.	Businesses and government entities that are required to file a federal Form 1099-MISC for services performed by an independent contractor.
<b>Whom To Report:</b>	<b>Whom To Report:</b>
All newly hired or rehired employees.	Individuals (independent contractors) who receive compensation for work performed or who enter into a contract for services for which a federal Form 1099-MISC will be filed.
<b>When To Report:</b>	<b>When To Report:</b>
Within 20 days of the start-of-work date.	Within 20 days of either making payments totaling \$600 or more, <u>or</u> entering into a contract for \$600 in any calendar year, whichever is earlier.
<b>What To Report:</b>	<b>What To Report:</b>
<u>Employer's (including government entities):</u> <ul style="list-style-type: none"> <li>- Business name</li> <li>- Address</li> <li>- EDD employer account number</li> <li>- Federal Employer Identification Number (FEIN)</li> </ul> <u>Employee's:</u> <ul style="list-style-type: none"> <li>- First name, middle initial, and last name</li> <li>- Social Security Number</li> <li>- Address</li> <li>- Start-of-work date</li> </ul>	<u>Business' or Government Entity's (if applicable):</u> <ul style="list-style-type: none"> <li>- Business name</li> <li>- Address</li> <li>- Telephone number</li> <li>- EDD employer account number</li> <li>- Federal Employer Identification Number (FEIN)</li> <li>- Social Security Number</li> </ul> <u>Independent Contractor's:</u> <ul style="list-style-type: none"> <li>- First name, middle initial, and last name</li> <li>- Social Security Number</li> <li>- Address</li> <li>- Start date of contract or date \$600 or more is paid</li> <li>- Amount of contract (including cents)</li> <li>- Contract expiration date</li> <li>- Ongoing contract (check box if applicable)</li> </ul>
<b>How To Report:</b>	<b>How To Report:</b>
<ul style="list-style-type: none"> <li>- File a <i>Report of New Employee(s)</i>, DE 34; or</li> <li>- File a copy of employee's W-4 (include EDD employer account number); or</li> <li>- Submit on magnetic media (diskette, tape reel, or cartridge). For magnetic media filing, call (916) 651-6945.</li> </ul>	<ul style="list-style-type: none"> <li>- File a <i>Report of Independent Contractor(s)</i>, DE 542; or</li> <li>- Submit on magnetic media (diskette, tape reel, or cartridge). For magnetic media filing, call (916) 651-6945.</li> </ul>
<b>Where To Report:</b>	<b>Where To Report:</b>
EDD P.O. Box 997016, MIC 23 West Sacramento, CA 95799-7016 Telephone: (916) 657-0529 Fax: (916) 255-0951	EDD P.O. Box 997350, MIC 99 Sacramento, CA 95899-7350 Telephone: (916) 657-0529 Fax: (916) 255-3211

## PAYROLL TAX INFORMATION

- General Tax Information, 1-888-745-3886  
Address Changes, or  
Payroll Tax Forms
- Forms Requests (916) 322-2835  
(25+ copies) Fax: (916) 928-5910
- Register for an EDD (916) 654-7041  
Employer Account # Fax: (916) 654-9211
- Electronic Funds (916) 654-9130  
Transfer Fax: (916) 654-7441
- Magnetic Media Reporting:  
- Quarterly Returns (916) 654-6845  
- New Employee Registry/  
Indep. Contractor (916) 651-6945
- Alternate Forms (916) 255-0649  
Coordinator Fax: (916) 255-1578
- Telefile 1-800-796-3524
- Electronic Data (916) 255-1649  
Interchange
- Tax Rates & Benefit (916) 653-7795  
Charge Information
- New Employee (916) 657-0529  
Registry Fax: (916) 255-0951
- Offers in (916) 464-2726  
Compromise Fax: (916) 464-2077
- Underground Economy (916) 464-1075  
Operations Fax: (916) 464-1020
- Taxpayer Rights (916) 654-8957  
Advocate Fax: (916) 654-6969
- EDD's Web site: www.edd.ca.gov

## CALIFORNIA EMPLOYER



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\* Please also see "New reporting requirements begin January 1" article on page 1.